Dēmos
AN EQUAL SAY AND AN EQUAL CHANCE FOR ALL

Testimony of Mark Huelsman
Senior Policy Analyst, Dēmos
Before the
Banking Committee of the Commonwealth of Connecticut

Thank you, Members of the Banking Committee, for the opportunity to submit testimony in support of Debt-Free College in the state of Connecticut. My name is Mark Huelsman and I am a Senior Policy Analyst focusing primarily on college affordability, student debt, and state investment in higher education at Demos, a nonpartisan public policy organization working for an America where we all have an equal say in our democracy and an equal chance in our economy. Access to an affordable higher education is central to the work of Demos because, despite its growing expense, a college degree remains a young person's best bet for raising her standard of living and securing a place in the middle class.

As recently as the early 1990s, most students in the United States did not borrow to attain a degree. But now, nearly three-in-four graduates take on debt with an average of $30,000 for those who attain a bachelor's degree. Even a growing number—over 40 percent—of associate degree holders take on debt, something that runs counter to idea of an "affordable" two-year degree that acts as a stand-alone credential or a pathway to the bachelor's.[1]

Connecticut students have had to borrow more to pay for the state's public colleges because of rising tuition costs, which are the direct result of a decades-long decline in state funding of higher education. This had had a great impact on families who've had to take an increasingly large bite out of family budgets. In 2000, average tuition and fees alone at the average public 4-year institution in Connecticut cost 8 percent of a median household's income; by 2012 this share had reached 13 percent. Even after accounting for federal, state, and institutional grant aid, Connecticut's students pay a net price of $11,870 (including room and board) to attend public 4-year institutions, an increase of 10% since 2008-09, more than the national average. Low-income students (those from families making less than $30,000 annually) have seen their costs rise dramatically; they now pay an average of $9,552 after all grant and scholarship aid, an increase of 22 percent in just 4 years. This can equal half or more of a family's entire annual income, meaning working class students have no choice but to borrow for a degree.[2]

High tuition costs can be traced to the dramatic decline in Connecticut's overall funding for higher education since peaking in 2008, before the Great Recession. Overall, Connecticut's higher education funding fell from its peak of $1.14 billion in

[1] Mark Huelsman, "The Case for Debt-Free Public College," Dēmos, August 10, 2015
[2] Robert Hitonsmith and Mark Huelsman, "Connecticut's Great Cost Shift," Dēmos, October 20, 2014

NEW YORK
220 FIFTH AVE, 2ND FLOOR
NEW YORK, NY 10001
212.633.1405

WASHINGTON DC
1029 VERMONT AVE NW, SUITE 505
WASHINGTON, DC 20005

BOSTON
1340 CENTRE STREET, SUITE 209
NEWTON CENTER, MA 02459
617.232.5885

2008 to $957 million in 2013, a 14 percent decline. Funding per full-time equivalent (FTE) student has fallen 22 percent since 2008, and 28 percent since 2000.[2]

The end result of this cost shift is higher borrowing, which has been disproportionately borne by students of color and students from low-income families. Low-income graduates borrow at higher rates—and in higher amounts—than their middle- and upper-income peers at both two- and four-year institutions, regardless of the type of institution attended, and despite receiving thousands of dollars in grant aid. Black students also borrow at much higher rates, and in higher amounts, to receive the same degrees as their white counterparts. A full 84 percent of graduates who received Pell Grants graduate with debt, compared to less than half (46%) of non-Pell recipients. While less than two-thirds (63%) of white graduates from public schools borrow, four-in-five (81%) of Black graduates do so. Black students and low-income students are also more likely to take on debt without graduating, resulting in far higher rates of loan delinquency and default. The result is that, nationally, over half of young Black households now have student debt, a far higher percentage than white students despite going to college and receiving degrees at lower rates.[3]

Student debt has long-term impacts as well. Average levels of debt can lead to borrowers losing $208,000 in wealth over a lifetime--primarily from lost retirement savings. And as the timeline for repaying student debt has nearly doubled from 7.5 years to 13.4 years, students' monthly payments are making it difficult to save for emergencies, invest, or buy a home. Student borrowers have a limited ability to buy a home or receive a reasonable deal on a mortgage because their credit scores are lower than those who do not have student debt. For the first time, student debt has become a negative predictor of homeownership among young households.[4]

In today's economy, a college education is essential for getting a good job and entering the middle class. Yet, despite this reality, college costs are rising beyond the reach of many Connecticutters. State policy decisions have played a significant role in this rise by shifting costs onto students and families through declining state support. Connecticut's investment in higher education has decreased considerably over the past two decades, and its financial aid programs fail to reach many students with financial need and prevent the need to borrow high amounts for an uncertain future. Students and their families now pay—or borrow—much more than they can afford to get a higher education, a trend which will have grave consequences for Connecticut's future economy.

---

[3] Mark Huelsman, "The Debt Divide: The Racial and Class Bias Behind the 'New Normal' of Student Borrowing," Dēmos, October 20, 2014

[4] Robert Hiltonsmith, "At What Cost? How Student Debt Reduces Lifetime Wealth," Dēmos, August 2013

NEW YORK
220 FIFTH AVE, 2ND FLOOR
NEW YORK, NY 10001
212.633.1405

WASHINGTON DC
1029 VERMONT AVE NW, SUITE 505
WASHINGTON, DC 20005

BOSTON
1340 CENTRE STREET, SUITE 209
NEWTON CENTER, MA 02459
617.232.5885

Dēmos
AN EQUAL SAY AND AN EQUAL CHANCE FOR ALL

Several generations of Connecticut students were guaranteed an affordable degree, one that could be paid simply by taking on a summer job or part-time work throughout the school year. Yet as a college degree has become more important, we have made it more costly and harder to attain. Fortunately, state policymakers have an opportunity to reverse these trends, by passing **House Bill 5569: An Act Concerning The Student Loan Ombudsman, Student Loan Servicers and Student Debt**. Connecticut can pave the way for other states to reduce the need to borrow for college, and guarantee a secure and prosperous future for tomorrow's students.

DEMOS.ORG COMM@DEMOS.ORG

NEW YORK
220 FIFTH AVE, 2ND FLOOR
NEW YORK, NY 10001
212.633.1405

WASHINGTON DC
1029 VERMONT AVE NW, SUITE 505
WASHINGTON, DC 20005

BOSTON
1340 CENTRE STREET, SUITE 209
NEWTON CENTER, MA 02459
617.232.5885